

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05
L-03 H-01 PA-01 PRS-01 USIA-06 FEA-01 INT-05
/062 W

-----222251Z 045283 /67

R 222028Z MAR 77

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9685

INFO AMEMBASSY SANTIAGO

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SANTIAGO FOR CIVAIR TEAM

E.O. 11652: N/A

TAGS: EAIR, AR, US

SUBJECT: CIVAIR - DISCUSSIONS ON USER CHARGES AND RELATED
QUESTIONS

1. USER CHARGE TEAM MET MARCH 18 WITH COMODORO AMELIO GONZALEZ, CHIEF OF THE ECONOMIC DEPARTMENT OF ARGENTINA'S AIR FORCE HEAD-QUARTERS. IN DISCUSSION OF RECENT SUBSTANTIAL INCREASES IN USER CHARGES, ARGENTINES CONTENDED THAT BECAUSE OF CURRENCY DEPRECIATION THE GOA HAD BORNE 80 PERCENT OF THE COSTS OF AVIATION SERVICES IN 1975, AND THAT THE RECENT INCREASES MERELY RESTORED DOLLAR EQUIVALENT TO LEVEL OF 1974. WHEN U.S. SIDE SAID THEY STILL APPEARED SIGNIFICANTLY HIGHER THAN COST AS THEY DID IN 1974, ARGENTINES INSISTED THE CHARGES ARE WELL BELOW 100 PERCENT OF COST. THEY POINTED OUT THAT BECAUSE ARGENTINA IS AT THE END OF THE LINE, RELATIVELY FEW FLIGHTS USE ARGENTINIAN SERVICES, RAISING UNIT COSTS. IN ADDITION, EZEIZA AIRPORT HAS HITHERTO HAD VERY LITTLE INCOME FROM SHOPS AND SIMILAR COMMERCIAL ENTERPRISES, ALTHOUGH IT IS NOW BEING REMODELED TO ALLOW THE INTRODUCTION OF MORE. ARGENTINES ALSO NOTED THAT SINCE AIRLINES PAY IN PESOS

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FIGURED AT THE EXCHANGE RATE IN EFFECT WHEN THE CHARGE WAS INCURRED, BUT DO NOT ACTUALLY PAY UNTIL TWO MONTHS LATER, THEY ENJOY A SUBSTANTIAL EXCHANGE RATE WINDFALL. THE PESO, THEY SAID, DEPRECIATES "AT LEAST 15 PERCENT AGAINST THE DOLLAR DURING THE TWO MONTH INTERIM.

2. USDEL INSISTED IT NEEDED SUBSTANTIATING FIGURES ARGENTINES

NOTED THAT THEY ARE PARTICIPATING IN ICAO PROJECT OF GATHERING INFORMATION ON THIS SUBJECT AND PROMISED TO PROVIDE COPIES. THEY ALSO STATED THAT ALLOCATION STUDY WHICH WAS IN PROGRESS IN 1974 WOULD BE COMPLETED AND BROUGHT UP TO DATE BY FOURTH QUARTER OF 1977, AND WOULD BE AVAILABLE TO U.S.

3. TWO SIDES DID NOT ATTEMPT TO RECONCILE DIFFERING VIEWS AS TO ADEQUACY OF GOA RESPONSE TO PREVIOUS AIRLINE EFFORTS TO OPEN DIALOGUE, BUT ARGENTINES ASSURED U.S. SIDE THAT THEY WERE PREPARED TO DISCUSS THESE MATTERS WITH INTERESTED AIRLINES.

4. ARGENTINE DEL CONCEDED THAT RAMP SERVICES PROVIDED BY AEROLINEAS ARGENTINAS HAVE BEEN VERY POOR. AIR FORCE WAS CONCERNED TO IMPROVE THE SITUATION AND HAD EVEN THREATENED TO BREAK ITS CONTRACT WITH AEROLINEAS. IT WAS ALSO ASKING EACH AIRLINE FOR MONTHLY REPORT ON ITS EXPERIENCE WITH THE SERVICE. WHEN U.S. SIDE NOTED THAT CHARGES HAD INCREASED SHARPLY WITHOUT JUSTIFICATION, AND WITHOUT PRIOR NOTIFICATION PROVIDED FOR IN CONTRACT, ARGENTINES PROMISED TO DEMAND COST INFORMATION FROM AEROLINEAS.

5. USDEL NOTED THAT USG BELIEVES AIRLINES SHOULD HAVE FULL FREEDOM TO CHOOSE ANY GROUND HANDLER THEY DESIRE. IT URGED THAT AT LEAST THEY SHOULD HAVE OPTION OF SELF-HANDLING; THIS WOULD BE MOST EFFECTIVE INCENTIVE TO AEROLINEAS TO PROVIDE ADEQUATE SERVICE. WHILE CONCEDED THAT OPTION WOULD PROVIDE INCENTIVE TO AEROLINEAS, ARGENTINES PROMISED ONLY TO BRING U.S. VIEWS TO THE ATTENTION OF THEIR SUPERIORS, IN THE CONTEXT OF THE GENERAL EFFORT TO BRING THE SERVICE TO AN ACCEPTABLE STANDARD.

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6. AIR FORCE DISCLAIMED ANY RESPONSIBILITY FOR FUEL AND EXCHANGE QUESTIONS, SO TEAM MET MARCH 21 WITH JOSE FREDA, CHIEF OF PETROLEUM ECONOMICS AT THE SECRETARIAT OF STATE FOR ENERGY. HE AGREED THAT FUEL PRICES IN ARGENTINA ARE TOO HIGH AND EXPLAINED THAT A MEASURE TO TAKE AWAY YPF'S PRESENT MONOPOLY ON PETROLEUM IMPORTS AND SALES WAS BEING PUT FORWARD FOR ADOPTION. HE FELT IT WOULD BE A WASTE OF TIME AND ENERGY TO TRY TO DEAL WITH THE JET FUEL QUESTION SEPARATELY AT THIS POINT. HOPEFULLY ONE RESULT OF THE NEW MEASURE WOULD BE REDUCE JET FUEL PRICES ALTHOUGH, IN LIGHT OF ARGENTINA'S DESIRE TO MINIMIZE IMPORTS, THERE COULD BE A PROBLEM IF THIS LED TO A MAJOR INCREASE IN JET FUEL SALES.

7. FREDA SAW NO REASON THERE COULD NOT BE AN EXCHANGE OF NOTES PROVIDING FOR EXEMPTION FROM NATIONAL FUEL TAXES, AND HE EXPLAINED THAT IN ARGENTINA THERE ARE NO LOCAL TAXES ON JET FUEL (ALTHOUGH A PORTION OF THE NATIONAL TAX IS PASSED ON TO THE LOCALITY). HE OBSERVED THAT IT WOULD DO WELL TO MOVE QUICKLY; IN THE FUTURE FUEL (INCLUDING JET FUEL) MAY NO LONGER BE EXEMPT FROM THE

VALUE-ADDED TAX. AT FREDAS SUGGESTION, U.S. TEAM LEADER SUBSEQUENTLY PROVIDED A LETTER TO SERVE AS BASIS FOR GOA CONSIDERATION OF U.S. VIEWS ON BOTH PRICE AND TAX QUESTIONS.

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ACTION EB-08

INFO OCT-01 ARA-06 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05
L-03 H-01 PA-01 PRS-01 USIA-06 FEA-01 INT-05
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8. TEAM ALSO MET WITH JORGE MAGISTRELLI, CHIEF OF THE DEPARTMENT OF EXCHANGE STUDIES AND INFORMATION AT THE CENTRAL BANK. HE EXPLAINED THAT THE DETAILED JUSTIFICATIONS OF REMITTANCES FORMERLY REQUIRED (AND ABOUT WHICH BRANIFF RECENTLY COMPLAINED) WERE ELIMINATED IN MARCH 1976. AS TO THE EXCHANGE RATE TO BE USED FOR AIRLINE REMITTANCES, HE SAW NO REASON TO CHANGE FROM THE PRESENT SYSTEM OF USING THE RATE AS OF THE DATE OF THE REMITTANCE, POINTING OUT THAT REMITTANCES CAN BE MADE AT ANY TIME. HE RECOGNIZED THAT FREQUENT REMITTANCES WOULD ENTAIL SOME ADDITIONAL ADMINISTRATIVE COSTS FOR THE AIRLINES, BUT NOTED THAT ARGENTINA IS MOVING AS RAPIDLY AS POSSIBLE TOWARD A FREE FOREIGN EXCHANGE MARKET. EMBASSY (AND TEAM) WILL PASS THIS INFORMATION TO THE AIRLINES, BUT MAGISTRELLI, AFTER NOTING THAT THE AIRLINES HAD NEVER APPROACHED HIM ON EXCHANGE QUESTIONS, GAVE ASSURANCES HE WOULD BE GLAD TO DISCUSS ANY PROBLEMS SYMPATHETICALLY WITH AIRLINE REPRESENTATIVES. (HE NOTED THAT THE EXCHANGE REGULATIONS HAD ALREADY BEEN AMENDED ONCE TO PLACE THE MAJOR EXCHANGE LOSS RISK ON TICKET PURCHASERS, RATHER THAN THE AIRLINES, IN ACCORDANCE WITH AN IATA RESOLUTION.)

9. IT REMAINS FOR THE EMBASSY TO A) MAKE SURE ARGENTINES COME THOROUGH WITH DATA FOR ICAO AND COST INFORMATION ON RAMP SERVICES;
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B) CHECK TO SEE THAT PROPOSED PETROLEUM LAW REVISION PROGRESSES;
AND C) OBTAIN USER CHARGE COST ALLOCATION STUDY THIS FALL.
IN ADDITION, THE EMBASSY WOULD APPRECIATE ASAP FROM DEPARTMENT
SUGGESTED LANGUAGE AND AUTHORIZATION FOR RECIPROCAL FUEL TAX
EXEMPTION, SO THAT IT CAN PROCEED PROMPTLY WITH EXCHANGE OF
NOTES.
HILL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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